

Item No. 3C

TOWN OF LAUDERDALE-BY-THE-SEA

AGENDA ITEM REQUEST FORM

Town Manager

Department Submitting Request

Connie Hoffmann

Dept Head's Signature

BUDGET WORKSHOP JUNE 8

SUBJECT TITLE: BSO BUDGET

EXPLANATION: As of noon on Friday, June 4th, we had not received a letter from the Sheriff transmitting his proposed budget for police services to Lauderdale by the Sea in FY 2010/2011, however we did call BSO this week and received a preliminary budget figure of \$3,158,891 from the Sheriff's Budget Officer. That figure represents a \$137,408 (4.3%) increase over the current year budget of \$3,021,483. BSO's contract with the Town limits them to a 5.3% increase in health insurance premiums, workers compensation premiums, and pension contributions, and a 5% increase in all other costs between fiscal years. We are pleased that the proposed increase in the Town's costs for next fiscal year is less than BSO could have charged us. BSO's Budget Officer wanted to make sure that the Town is aware that the Sheriff's budget is subject to approval by the County Commission and there is a possibility that the Town's costs could increase if the Sheriff and the County do not come to agreement.

The Chief and I have talked only briefly about his budget, but he intends to keep the same staffing numbers and staffing configuration in next year's budget as this year. He has advised me that his actual operating budget is higher than what BSO charges the Town and that is supported by the findings of a recent study commissioned by the Broward City/County Management Association (copy attached).

As you know, the Town's contract with BSO expires at the end of next fiscal year and the Sheriff is under great pressure by the County Commission to assure that police services to contract cities are not subsidized by taxpayers outside of the contract cities. This is a complicated issue. Much debate centers around defining which services the Sheriff provides that are regional in nature and whether any city can receive that service, regardless of whether they have a contract with the Sheriff or not, defining how much of BSO's administrative overhead should be allocated to the contract cities, and how to account for post retirement benefit costs that predate some of the city contracts.

STAFF RECOMMENDATION: The staff requests feedback and direction from the Town Commission on whether the Commission is satisfied with the level and quality of police services provided the Town.

FISCAL IMPACT AND APPROPRIATION OF FUNDS: Projected to be \$3,158,891 annual cost; 4.3% increase over current year costs

Town Attorney review required

☐

Yes

☐

No

Town Manager's Initials:



Leaders at the Core of Better Communities

**Broward Sheriff's Office and Contracting Cities
Cost Accumulation Model Study for the
Broward City/County Management Association**

**FINAL REPORT
MAY 2010**

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EXECUTIVE SUMMARY

The Broward City/County Management Association contracted with ICMA *Consulting Services* (ICMA) to examine the policies, services agreements, and financial practices associated with the Broward Sheriff's Office (BSO) delivery of police services to contracting cities located in Broward County. As its core, the study project was established to answer two questions: (1) has BSO collected sufficient revenues from the contract cities to cover the cost of providing police services and (2) is BSO using an appropriate cost allocation model to identify the indirect costs associated with providing police services to contracting cities? Six purposes were defined for this study project to answer these core questions and to address other key issues.

ICMA developed a cost accumulation model and used the model to analyze BSO financial data for Fiscal Years 2006/2007, 2007/2008 and 2008/2009. ICMA also examined the service contracts between BSO and cities under contract for these three fiscal years. In addition, ICMA reviewed in detail BSO's most current annual budget (FY 2008/2009).

These examinations, along with discussions with the project's steering committee and BSO representatives, have resulted in the following overall findings and conclusions:

- (1) It cost BSO more in FY 2006/2007 and FY 2007/2008 to provide police services to contracting cities than it received in revenues from the contracting cities. For FY 2008/2009, BSO received more revenue from the contracting cities than it cost to provide police services.
- (2) For the same time period, it sometimes cost BSO less to provide a specific contract city with police service than it collected in revenues from the contract city. For other cities, it cost BSO more to provide police services.
- (3) Two cost allocation models have been developed to identify and allocate BSO indirect costs. Either model could be used. The fundamental difference in the two models is the base amount of indirect costs that are allocated---one model uses the total cost of BSO administrative and support services and the current model used by BSO uses only a portion of costs for these services.
- (4) There is a lack of consistency in the service agreements that are in place between BSO and the cities that contract for police services.
- (5) BSO clearly distinguishes police services delivered on a countywide basis from police services delivered to cities under contract. It is not clear that safeguards are in place to restrict Broward County

property tax revenues from being used to fund police services delivered to contracting cities, or to restrict revenues from contracting cities to be used to fund countywide police services.

ICMA offers a series of recommendations to address these findings and conclusions. Finally, all the project's participants deserve to be commended for their candid, open participation and willingness to address the tough questions and issues that make up this study project.

I. Project Overview and Purposes

For several years, questions have swirled around the Broward Sheriff's Office (BSO) practice of entering into service agreements with cities within Broward County for police services. The concerns raised by Broward County representatives, public officials from Broward County cities or County residents did not question the authority of BSO to enter into these service agreements. Rather, the questions or concerns focused on costs and revenues—are contracting cities fully paying BSO for the police services they are receiving through their contracts with BSO. Fundamentally, this study project addresses this question.

Both BSO and Broward County have completed cost allocation studies to provide a method for determining the full and complete cost of BSO to deliver police services to a contracting agency. Several previous studies have proposed methods for determining indirect costs that BSO should include in determining the full and complete cost of its services. A cost allocation plan was prepared for BSO in July 2009 by the Public Consulting Group (PCG). It is important to note that the cost allocation plan was prepared in part to comply with financial reporting requirements established by the US Department of Justice for federal grant programs that BSO participates in and receives federal funding. In addition, BSO developed a separate cost allocation method that it uses now to determine its direct and indirect costs for providing police services on a contract basis. Finally, the Office of the County Auditor for Broward County issued a report in May 2009 on this topic.

The Broward City/County Management Association (BCCMA) contracted with ICMA *Consulting Services* to develop a cost accumulation model. Through this study project, ICMA used the model to analyze the service agreements currently in place between BSO and contracting cities, and annual budgets and other financial information supplied by BSO and contracting cities. Three project purposes were listed our proposal for the study project:

- (1) Segregate the cost required by BSO to provide police services throughout Broward County from the cost required to provide police services to the contract cities;
- (2) Develop a cost model for analyzing direct and indirect expenses for cities contracting with the BSO for police services; and
- (3) Apply the cost model to the most recent fiscal year where full data and information is available for determining (a) the level of cost consistency and (b) whether contract cities underpaid or overpaid for police services.

A copy of the project proposal accepted by BCCMA is included as Attachment 1 to this report.

The project's purposes were clarified as we presented initial findings to the project steering committee. Three additional project purposes were added.

(1) Cost vs. Revenue for Countywide Police Services and Contract City Services. We agreed to examine the cost of providing both countywide police services by BSO, and the aggregate cost for police services to contract cities for the most recent fiscal year where data is available. We also agreed to analyze the County property tax revenues used to support countywide police services, and the revenues generated from contract cities for the same time period. We agreed to summarize and to provide findings based on these two examinations.

(2) PCG Cost Allocation Model. We agreed to examine the cost allocation model that was prepared by the PCG for BSO, and to summarize the strengths and weakness of the model.

(3) BSO Cost Allocation Model. We agreed to examine the cost allocation model that BSO developed and is currently using to allocate indirect BSO costs to contract cities. We agreed to provide an opinion regarding this model and any recommendations for revision.

A letter dated March 22, 2010 discussing these additional project purposes is Attachment 2 to this report. The purposes listed in the proposal and the additional purposes listed in the March 22nd letter represent the combined scope of work for the study project. They are addressed through the key findings and conclusions, and the recommendation sections, of this report.

II. Police Service Delivery in Broward County

Broward County residents, business interests, and visitors receive police services through a wide variety of federal, state, and local law enforcement agencies. Residents are most familiar with two of these agencies—BSO and the local police departments that operate in many of Broward County's cities. The Broward County Sheriff is a directly elected constitutional officer of Broward County. The sheriff is the designated chief law enforcement officer for Broward County, as designated by the Florida legislature. BSO provides a range of police services on a countywide basis; in addition, about half of the cities in Broward County contract with BSO for police services. The type of police services, the levels of services, and the annual costs paid to BSO are negotiated by each contract city with BSO, and described in individual service agreements between contract city and BSO. In addition, BSO provides police services for the Broward County Courthouse, Port Everglades, and the Fort Lauderdale/Hollywood International Airport. Separate services agreements are in place for with Broward County for these services. These service agreements and services are outside the scope of this study.

More than half of Broward's cities operate and fund their own police departments. The types of police services, levels of service, and the costs are determined by the City Commissions for these cities.

III. ICMA and ICMA *Consulting Services* Background

The International City/County Management Association (ICMA) is the premier local government leadership and management organization. Since 1914, ICMA's mission has been to create excellence in local governance by developing and advocating professional local government management worldwide. ICMA provides an information clearinghouse, technical assistance, training, and professional development to more than 9,000 city, town, and county experts and other individuals throughout the world.

ICMA Consulting Services was created in 2007 to expand its long-standing commitment to technical assistance efforts by providing consulting solutions to critical organizational challenges. Focusing in the areas of general management and public safety, *ICMA Consulting Services* delivers trusted advisor services in the areas of operations reviews, financial management, public safety workload analysis,

leadership development and strategic planning. Directed and staffed by former local government managers, *ICMA Consulting Services* brings together professionals with a record of successful management to develop tailored solutions for a city, city or agency facing a specific problem or issue.

IV. Study Approach

ICMA Consulting Services completed four phases as part of the study project. In phase (1) we reviewed financial data and service agreements between the contracting cities and BSO. We also reviewed the BSO annual budget for several fiscal years. We identified questions or issues that required discussion with BSO representatives and secured needed data and information. This work allowed us to gain a thorough understanding of BSO's financial practices and approaches in providing police services to the contract cities.

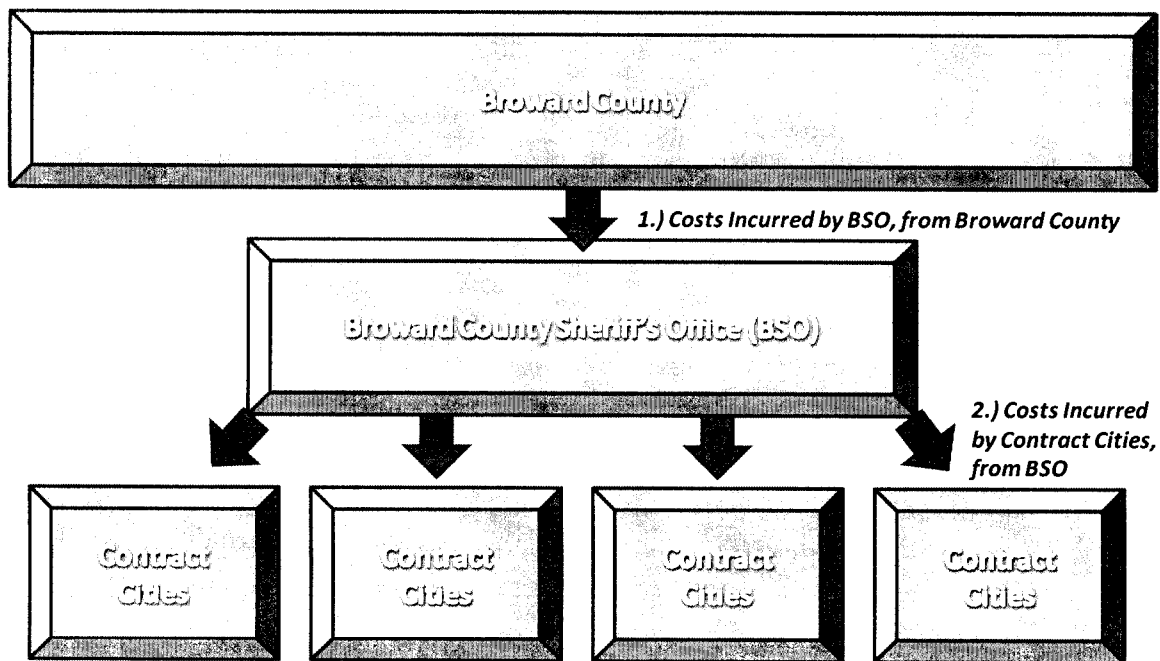
In phase (2) we developed a list of police services that BSO delivers on a countywide basis. This list also served as the core assumptions for the project. The core assumptions were reviewed by the project's steering committee and by BSO. BSO was especially helpful in developing a comprehensive list of countywide services that it delivers. We used the countywide services/core assumptions to segregate BSO services delivered on a countywide basis from police services delivered specifically to an individual contract city. It is important to note the distinction that BSO draws between countywide services and regional services. Countywide services are delivered by BSO within Broward County. Regional services represent those services that BSO delivers in cooperation with other police agencies within Broward, Miami-Dade, and/or Palm Beach counties. This countywide services/core assumptions list is included with this report as Attachment 3.

In phase (3) we created the cost accumulation model for the project. This model is described in more detail later in this section. In phase (4) we used the cost accumulation model to examine the service agreement and the annual financial data in detail for each contract city. In particular we used the model to compare BSO's cost to provide the police services with the revenue generated from the contract city for all cities with service agreements with BSO. This analysis was completed for three fiscal years. These analyzes resulted in the key findings and conclusions described next in the report.

A project steering committee, chaired by the Weston Florida city manager, played an important role in completing the project. Broward County's finance director, the major from BSO's Staff Services/Department of Professional Standards division, and city managers from both contracting and non-contracting cities served on the steering committee. The committee provided sound advice and suggestions as we worked to complete the project.

The cost accumulation model was developed to help put into perspective four financial points of reference for evaluating BSO agreements for the provisions of law enforcement services to the contract cities. These four components included: (1) Contract agreement, (2) Budgeted expenses by BSO, (3) Actual expenses of BSO and (4) Actual revenues from contract cities to BSO.

Conceptually, the cost accumulation approach was taken to examine expenditures and revenues from the ground up, accounting for each of the four components. The following graphics demonstrate how this was done.



| Model Components | Direct Costs | Indirect Costs |
|---|--|--|
| 1.) Costs Incurred by BSO, from Broward County | | <ul style="list-style-type: none"> • County IT support to BSO • County Fleet support to BSO • County Facilities support to BSO • County HR support to BSO • County Finance, Accounting, Budget to BSO • County Purchasing support to BSO • County Legal support to BSO • County Administration support to BSO • etc |
| 2.) Costs Incurred by Contract Cities, from BSO | <ul style="list-style-type: none"> • Salaries • Benefits • FICA • Worker's Comp • Special Pay • Overtime • Supplies • etc • Fleet, Facilities, Technology | <ul style="list-style-type: none"> • BSO Administrative Support of Contract Cities, including: <ul style="list-style-type: none"> • BSO HR support to contract cities • BSO Finance, Accounting, Budget support to contract cities • BSO Purchasing support to contract cities • BSO Legal support to contract cities • etc |

We determined that Broward County does not assign any indirect costs to BSO. BSO allocates both direct and indirect costs to contract cities, as illustrated in the model. A spreadsheet showing BSO indirect expenses allocated to contracting cities is Attachment 4 to the report.

V. Key Findings and Conclusions

The study project generated key findings and observations, addressing the purposes that BCCMA wanted to address through the study project.

A. Consistency in Law Enforcement Contract Agreements

The study project examined in detail the contracts or service agreements in place between BSO and the contract cities in order to assess how consistent the contracts are.

Most of the current contracts include a summary of the total number of full time equivalent positions (FTEs) that BSO assigns to the contract. Most contracts include the specific positions that are assigned to each contract, which positions or FTEs are responsible for the provision of services, as well as the total number of positions in each contract. For example, in the City of Oakland Park's contract, they are assigned "1 District Chief, 2 Executive Officer / Lieutenants, 6 Patrol Shift Supervisors / Deputy Sheriff Sergeants, 63 Uniformed Deputy Sheriffs," and others.

These BSO officers are responsible for a broad scope of services, also outlined in the contract, which include services such as "Uniform Patrol, Criminal Investigations, Special Details Management, Strategic Intelligence Functions, Mounted Patrol, Reserves," and other services.

The current service agreements also consistently establish that contract cities will pay for BSO provided police services based on the budget estimates that BSO provides, taking into account any credits when a BSO position vacancy occurs vs. BSO's actual costs to deliver the services. The recommended approach to creating a standard contract will further address ways that BSO could consider for addressing variances between budget and actual expenses in the future.

While most contracts are consistent in these areas, our examination determined that there is not a consistent approach or method used in (1) offering the full range of BSO police services that are available (2) the BSO job classifications that will provide selected police services to a contracting city or (3) the level of service that will be provided by BSO. A recommended approach to achieving better consistency among the contracts is recommended later in this report.

We encourage BSO and contracting cities to work together to improve contract consistency as contracts are renewed and as new contracts are for new contracting cities are developed. The recommendation section of this report will further address an approach that BSO could take to create a standard contract, including a uniform "menu" of services, with standard costs for those services.

B. Cost to Provide Law Enforcement Services to Contract Cities, and Revenues to Support

In addition to the consistency issue, we also evaluated the way in which these agreements were executed in terms of the cost for providing law enforcement services specified in the contracts, as well as the revenue collected for the services. According to BSO, per the contract terms, city contract costs for police services are based on BSO-provided budgeted expenses for the fiscal year. Per contract terms, any differences or variances between budgeted expenses and actual expenses incurred by BSO are generated when a position is left vacant. When this happens, vacancy credits are determined by a pre-determined formula and the contracting city receives a cost credit. This amends the budgeted cost for service contained in the city's contract with BSO for the specific fiscal year. There are no credits determined for variances that occur besides vacancy credits. Nor are there adjustments made for BSO to recoup fees

from contracting cities when BSO costs surpass the revenues collected for a particular contract.

Our analysis of BSO expenses and revenues for three fiscal years (FY 2007-2009) generated two key findings:

- (1) It cost BSO more to provide police services to contracting cities than it collected in revenues from contracting cities for two of the three fiscal years, as shown in the following summary table.

| <i>Fiscal Year</i> | <i>BSO Actual Expenses</i> | <i>BSO Budgeted Revenue</i> | <i>BSO Actual Revenue</i> | <i>Variance (to BSO)</i> |
|--------------------|----------------------------|-----------------------------|---------------------------|--------------------------|
| FY 2006/2007 | \$ 123,163,407 | \$ 122,923,827 | \$ 119,942,035 | \$ (3,221,372) |
| FY 2007/2008 | \$ 131,405,329 | \$ 130,448,640 | \$ 129,225,865 | \$ (2,179,464) |
| FY 2008/2009 | \$ 137,263,765 | \$ 138,136,320 | \$ 137,536,997 | \$ 273,232 |
| TOTAL | \$ 391,832,501 | \$ 391,508,787 | \$ 386,704,897 | \$ (5,127,604) |

- (2) During these three fiscal years, it sometimes cost BSO less to provide a specific contract city with police service than it collected in revenues from the contract city. For other cities in other fiscal years, it cost BSO more to provide police services. It is important to note that the service agreements state that the contract cities will pay for BSO provided police services based on budget amounts for the fiscal year (amended to account for vacancies or staffing changes) rather than actual costs.

The following table demonstrates Fiscal Year 2006/2007, where the final column, "Variance (to BSO)," is the difference between the actual revenue collected by BSO for each contract (adjusted for vacancy credits), and the actual expenses incurred for each contract City. In FY 2006/2007, BSO adjusted contracts by approximately \$6 million to account for vacancy credits. The variance between adjusted revenue and actual expenses incurred was close to \$3 million.

Example: FY 2006/2007

| DLE Contract Cities | BSO Actual Expenses | BSO Budgeted Revenue | BSO Actual Revenue | Variance (to BSO) |
|-------------------------------|----------------------------|-----------------------------|---------------------------|--------------------------|
| City of Pembroke Park | \$ 1,358,786 | \$ 1,519,170 | \$ 1,519,170 | \$ 160,384 |
| City of Dania Beach | \$ 8,069,214 | \$ 8,501,337 | \$ 8,217,435 | \$ 148,221 |
| City of Lauderdale Lakes | \$ 7,736,617 | \$ 8,078,941 | \$ 7,570,281 | \$ (166,336) |
| City of Tamarac | \$ 9,091,159 | \$ 9,450,000 | \$ 9,450,000 | \$ 358,841 |
| City of Weston | \$ 9,345,111 | \$ 9,295,082 | \$ 8,962,907 | \$ (382,204) |
| City of Deerfield Beach | \$ 16,173,801 | \$ 17,128,200 | \$ 16,397,463 | \$ 223,662 |
| City of Pompano Beach | \$ 34,358,446 | \$ 33,116,265 | \$ 32,703,759 | \$ (1,654,687) |
| City of Oakland Park | \$ 10,337,189 | \$ 10,603,636 | \$ 10,354,117 | \$ 16,928 |
| Town of Southwest Ranches | \$ 1,297,078 | \$ 1,406,995 | \$ 1,406,995 | \$ 109,917 |
| City of Lauderdale by the Sea | \$ 3,094,913 | \$ 2,607,231 | \$ 2,606,228 | \$ (488,686) |
| North Lauderdale | \$ 7,431,807 | \$ 7,803,360 | \$ 7,472,439 | \$ 40,632 |
| Cooper City | \$ 8,349,784 | \$ 8,233,590 | \$ 8,101,222 | \$ (248,562) |
| Parkland | \$ 3,933,588 | \$ 3,836,300 | \$ 3,836,300 | \$ (97,288) |
| West Park | \$ 3,944,700 | \$ 2,862,890 | \$ 2,862,888 | \$ (1,081,812) |
| TOTAL | \$ 123,163,407 | \$ 122,923,827 | \$ 119,942,035 | \$ (3,221,372) |

The next table demonstrates Fiscal Year 2007/2008. Again, it cost BSO more to provide police services to the 14 cities under contract, although the difference between costs and revenues from the contracting cities was less.

Example: FY 2007/2008

| | BSO Actual Expenses | BSO Budgeted Revenue | BSO Actual Revenue | Variance (to BSO) |
|-------------------------------|----------------------------|-----------------------------|---------------------------|--------------------------|
| City of Pembroke Park* | \$ 1,579,302 | \$ 1,579,300 | \$ - | \$ (1,579,302) |
| City of Dania Beach | \$ 8,728,248 | \$ 8,932,240 | \$ 8,458,986 | \$ (269,262) |
| City of Lauderdale Lakes | \$ 8,366,667 | \$ 8,366,670 | \$ 7,960,724 | \$ (405,943) |
| City of Tamarac | \$ 9,879,778 | \$ 9,715,000 | \$ 9,715,000 | \$ (164,778) |
| City of Weston | \$ 9,769,858 | \$ 9,769,860 | \$ 10,456,646 | \$ 686,788 |
| City of Deerfield Beach | \$ 17,916,911 | \$ 17,916,910 | \$ 17,330,299 | \$ (586,612) |
| City of Pompano Beach | \$ 34,101,211 | \$ 34,101,210 | \$ 33,588,075 | \$ (513,136) |
| City of Oakland Park | \$ 11,204,150 | \$ 11,204,150 | \$ 10,972,005 | \$ (232,145) |
| Town of Southwest Ranches | \$ 1,356,512 | \$ 1,356,510 | \$ 1,886,554 | \$ 530,042 |
| City of Lauderdale by the Sea | \$ 3,301,711 | \$ 2,740,830 | \$ 2,526,519 | \$ (775,192) |
| North Lauderdale | \$ 8,005,669 | \$ 8,005,670 | \$ 7,643,198 | \$ (362,471) |
| Cooper City | \$ 8,866,788 | \$ 8,866,790 | \$ 8,848,759 | \$ (18,029) |
| Parkland | \$ 4,126,682 | \$ 4,126,680 | \$ 4,167,859 | \$ 41,177 |
| West Park* | \$ 4,201,842 | \$ 3,766,820 | \$ 5,671,241 | \$ 1,469,399 |
| TOTAL | \$ 131,405,329 | \$ 130,448,640 | \$ 129,225,865 | \$ (2,179,464) |

* Pembroke Park and West Park contracts combined during FY 2007/2008. BSO accounted for revenue collection relative to Pembroke Park in the West Park account. For FY 2008/2009, Pembroke Park and West Park contracts are combined entirely in the West Park account.

The next table is for FY 2008/2009. The total variance dropped significantly. It cost BSO about \$300,000 or .2% to deliver police services less than it collected in revenues from the 13 cities under contract. However, the variances per contract fluctuated by as much as \$534,000 revenues collected over actual expenses (Pompano Beach) and

\$543,000 actual expenses over revenues collected (Lauderdale by the Sea).

Example: FY 2008/2009

| <i>DLE Contract Cities</i> | <i>BSO Actual Expenses</i> | <i>BSO Budgeted Revenue</i> | <i>BSO Actual Revenue</i> | <i>Variance (to BSO)</i> |
|-----------------------------------|-----------------------------------|------------------------------------|----------------------------------|---------------------------------|
| City of Dania Beach | \$ 8,794,002 | \$ 9,133,870 | \$ 9,052,003 | \$ 258,001 |
| City of Lauderdale Lakes | \$ 8,237,492 | \$ 8,792,870 | \$ 8,454,178 | \$ 216,686 |
| City of Tamarac | \$ 10,146,779 | \$ 10,250,980 | \$ 10,250,977 | \$ 104,198 |
| City of Weston | \$ 10,671,797 | \$ 11,265,070 | \$ 10,680,389 | \$ 8,592 |
| City of Deerfield Beach | \$ 18,099,943 | \$ 18,528,220 | \$ 18,528,220 | \$ 428,277 |
| City of Pompano Beach | \$ 36,079,843 | \$ 35,806,270 | \$ 36,613,839 | \$ 533,996 |
| City of Oakland Park | \$ 11,682,996 | \$ 11,589,610 | \$ 11,748,015 | \$ 65,019 |
| Town of Southwest Ranches | \$ 1,951,318 | \$ 1,965,310 | \$ 1,965,310 | \$ 13,992 |
| City of Lauderdale by the Sea | \$ 3,365,089 | \$ 2,883,430 | \$ 2,822,331 | \$ (542,758) |
| North Lauderdale | \$ 7,992,192 | \$ 8,253,930 | \$ 7,949,821 | \$ (42,371) |
| Cooper City | \$ 9,679,423 | \$ 9,317,010 | \$ 9,478,979 | \$ (200,444) |
| Parkland | \$ 4,739,059 | \$ 4,447,240 | \$ 4,582,630 | \$ (156,429) |
| West Park | \$ 5,823,831 | \$ 5,902,510 | \$ 5,410,305 | \$ (413,526) |
| TOTAL | \$ 137,263,765 | \$ 138,136,320 | \$ 137,536,997 | \$ 273,232 |

C. Allocation of Indirect Costs

Another objective of this study project was to examine two cost allocation methods developed to assist BSO to allocate the costs associated with its programs and services that indirectly support the provision of BSO law enforcement services to the contract cities.

The first method examined comes from a cost allocation study performed by the consulting firm Public Consulting Group (PCG). This firm developed a model to allocate BSO's indirect costs with methodologies consistent with acceptable Federal guidelines as articulated in OMB Circular A-87. This study finds that the PCG approach to determining how BSO indirect costs could be associated with direct law enforcement services to the contract cities is an acceptable approach, in that the methods are indeed consistent with the federal guidelines as outlined in OMB A-87. This finding appears to be an opinion shared by the BSO as well, according to "working papers" provided by BSO¹ who cite a July 2009 third-party evaluation of the PCG cost allocation plan by consultant Clifford McCue P.H.D.² who also concluded that the methods used to allocate BSO indirect costs were consistent with OMB A-87. The documents are Attachments 5 and 6 to this report.

¹ Cost Allocation Plan Review, BSO, (submitted to ICMA as "Working Papers" from BSO, April 2010)

² Cost Allocation Report – Draft Report, Clifford McCue P.H.D., July 2009

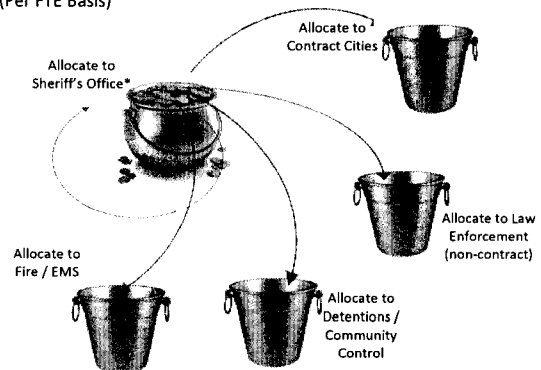
The issue with the PCG approach to allocating indirect costs does not appear to be the methodology of the approach. Instead, the issue that BSO cites in their "working papers" is that "the cost allocation plan is too high for contract cities...the resulting figures produced are not reasonable." The total of indirect costs identified to be associated with the provision of direct law enforcement services to contract cities in the PCG report is approximately \$12.6 million annually.

As an alternative to the PCG method, "staff members from BSO's Finance and Budget recalculated cost allocation using more narrowly focused parameters and arrived at figures that appear to be more palatable." The BSO approach reduced the basis for calculating indirect costs to \$6.5 million annually. It is not evident from the documents that we reviewed why a lower basis number was used.

BSO's approach to allocating their indirect costs adopts a recommended practice from the McCue report, and distributes the costs in direct correlation to the number of FTEs assigned to each of the contract cities. For instance, the City of Parkland's contract calls for 35 BSO FTEs. For Fiscal Year 2008/2009, BSO had an authorized total of 1,509 FTEs dedicated to law enforcement services in contract cities. Parkland would be responsible for approximately 2.3% of the total amount of indirect costs to be allocated (since 35 divided by 1,509, is equal to approximately 2.3%). The City of Weston would be responsible for 6.8% of the sum of the indirect costs, with 104 FTEs dedicated to the provision of law enforcement services to the City. The total amount of indirect costs identified to be associated with the provision of direct law enforcement services to contract cities as identified by BSO for Fiscal Year 2008/2009 is approximately \$6.6 million.

One concern about the BSO approach is that as indirect costs are allocated on a "per FTE" basis, the FTE count of the overhead divisions were counted as part of the total. Therefore, as the indirect costs are allocated, a proportion of the costs would need to be allocated back to the overhead divisions themselves, leaving a proportion of indirect costs un-allocated. This could be addressed with a second round of allocating indirect costs, but it isn't in the BSO methodology.

BSO Budget and Finance Approach to Indirect Cost Allocation
(Per FTE Basis)



*Office of the Sheriff, Department of Administration, Department of Professional Standards each have FTE;
BSO approach would allocate indirect costs back to these divisions

The following table summarizes key aspects of the two methods for allocating the indirect costs associated with BSO providing direct services to the contract cities.

| Approach to Allocating Indirect Costs | Amount of Indirect Costs to be Allocated | Methodology Applied to Allocate Costs | Basis of Comparing Methods (\$ per FTE) |
|--|---|---|--|
| Public Consulting Group | \$12,578,929 | OMB Circular A-87 Guidelines | \$8,347 per FTE associated with each contract city |
| BSO Finance and Budget | \$6,574,978 | Proportion costs relative to FTE assigned to each contract city | \$4,363 per FTE associated with each contract city |

The following bullet points are outlined to add context to this particular issue:

- The total amount associated with direct law enforcement services provided to contract cities is approximately \$181 million.³ Expressed as a percentage of the total cost of direct and indirect services, the amount of indirect costs identified by PCG amounts to 6% of the total costs, while the amount of indirect costs identified by BSO Finance and Budget amounts to 4% of total costs.
- No costs are allocated to BSO from Broward County. In the PCG report, a recommendation is made to evaluate whether or not Broward County provides support services to BSO in order to determine if the County could allocate indirect costs to BSO (which could impact the indirect costs BSO is considering allocating to the contract cities). BSO indicated in this study that constitutional officers do not receive an indirect cost allocation from the County.

As stated earlier in the report, our finding relative to the issue of the allocation of BSO's indirect costs is that the issue is not fundamentally centered on methodology. The significant issue to be resolved is two-fold:

- (1) What are the indirect services provided in support of direct law enforcement services to contract cities?

³ FY 2008/2009. This figure includes Port Everglades, as well as the Airport contracts

- (2) What are the chosen philosophy / policy for including indirect costs as part of the total costs for providing law enforcement services to the contract cities?

The recommendation section of this report will suggest ways this issue can be addressed.

D. Funding Countywide Services

There are police services that BSO delivers on a "countywide" basis, meaning that should there be no unincorporated land in Broward County, and all Broward County cities operated and funded their own police departments, and BSO was no longer providing police services to any city on a contract basis, BSO would continue to provide these services. Examples of such services include the following, as specified by the BCCMA Steering Committee (where the * symbol indicates a program required by state statute):

- Conservator of peace within the county*
- Arrest without warrant any person disturbing the peace*
- Serve enforceable writs (Warrants, etc.)*
- Juvenile and Child Safety*
- Enforce traffic laws throughout the county*
- Policing At Auto Race Meets*
- Receive and dispose of seized firearms*
- Community Relations
- Media Relations
- Crime Stoppers
- Aviation Unit
- Counter Terrorism
- Bomb Squad
- Crime Scene
- Crime Lab
- Fugitive Unit
- Organized Crime Unit
- Gang Unit
- Narcotics
- Anti-Crime Squad
- Marine Unit
- SWAT (Special Weapons and Tactics)
- Forensic Art

- Strategic Intelligence
- Homeland Security
- Communications Centers (E-911/Dispatch/Teletype)
- Regional Investigations (homicide, robbery, fraud, missing persons, and others that transcend boundaries)
- Canine Support (Apprehension, Narcotics, Bomb, and Firearm)
- Mounted Patrol
- School Resource

Another objective of this project was to understand the cost of providing county-wide services, as distinct from the cost of providing law enforcement services to the contract cities, as well as to examine the funding source(s) for these services. BSO relies on Broward County property tax revenue to provide for the cost (both direct and indirect) to provide countywide services. In contrast, revenues from the contracting cities should be used by BSO to pay for the cost (both direct and indirect) for BSO police services delivered to the contracting cities.

In order to determine if both countywide and contracting cities services were being paid for according to the model described above, we examined the BSO budget for fiscal year 2008/2009 in detail. BSO's annual budget is organized into five easily distinguishable service areas: (1) Administrative / Support services, (2) DLE Contract services, (3) Detentions and Community Control services, (4) Fire and EMS services, and (5) Law Enforcement (non-contract) services. Dedicated, program-specific revenues were associated with each service area, and the remaining funding (total service area costs minus dedicated, program-specific revenue associated with the service area) is then assumed to come from Broward County property taxes.

The following table includes a summary of each of the service areas in the BSO budget, with expenses included in the left column, and funding sources included in the right column.

BSO Fiscal Year 2008/2009

| Expenses | | Revenues | |
|--|-----------------------|-----------------------|--|
| Office of the Sheriff | | | |
| Department of Administration | | | |
| Department of Professional Standards | \$ 72,313,590 | \$ 72,313,590 | Funding - assumed to come from Property Taxes |
| TOTAL Administrative / Support Costs* | \$ 72,313,590 | \$ 72,313,590 | TOTAL Administrative / Support Funding |
| <i>*Represents un-allocated costs of divisions</i> | | | |
| Indirect Costs (applying BSO method) | \$ 5,590,505 | | |
| Law Enforcement Contract Services | \$ 131,673,260 | \$ 137,536,997 | Contract Services - Law Enforcement (Contract Cities) |
| TOTAL DLE Contract Costs | \$ 137,263,765 | \$ 137,536,997 | TOTAL DLE Contract Funding* |
| | | \$ 273,232 | * Generated Surplus in FY 08/09 |
| Indirect Costs (applying BSO method) | \$ 1,457,174 | \$ 41,472,926 | Contract Services - Law Enforcement (Special Details, Convention Center, Port Everglades, Airport) |
| Law Enforcement Contracts (non-City) | \$ 42,619,651 | \$ 2,603,899 | Funding - assumed to come from Property Taxes |
| TOTAL DLE Contract Costs (non-City) | \$ 44,076,825 | \$ 44,076,825 | TOTAL DLE Contract Funding (non-City) |
| Indirect Costs (applying BSO method) | \$ 9,435,202 | | |
| Court Deputy-Bailiffs | \$ 8,524,650 | | |
| Department of Detention | \$ 213,423,033 | \$ 8,304,050 | Department of Detention and Community Control |
| Department of Community Control | \$ 19,578,477 | \$ 242,657,312 | Funding - assumed to come from Property Taxes |
| TOTAL Detentions / Community Control Costs | \$ 250,961,362 | \$ 250,961,362 | TOTAL Detentions / Community Control Funding |
| Indirect Costs (applying BSO method) | \$ 2,694,838 | \$ 53,867,330 | Contract Services - Fire Rescue/EMS |
| Special Purpose Fire Fund | \$ 64,741,340 | \$ 10,874,010 | Non-Contract Services - Fire Rescue/EMS |
| Regional Fire Services | \$ 23,744,980 | \$ 1,310,000 | Fire Regional Service |
| TOTAL Fire and EMS Costs | \$ 91,181,158 | \$ 25,129,818 | TOTAL Fire and EMS Funding |
| Indirect Costs (applying BSO method) | \$ 5,822,158 | \$ 20,036,510 | Other Law Enforcement |
| Other Law Enforcement Services | \$ 114,136,792 | \$ 99,922,440 | Funding - assumed to come from Property Taxes |
| TOTAL Law Enforcement (non-contract) Costs | \$ 119,958,950 | \$ 119,958,950 | TOTAL Law Enforcement (non-contract) Funding |
| TOTAL \$ 715,755,650 | | \$ 715,755,650 | TOTAL |

We segregated the revenues required to provide the law enforcement services associated with the contract cities, the detentions and community control services, and fire and EMS services. From the table, there are two discernable points that stand out:

- (1) Using the BSO approach to allocating indirect costs (on a "per FTE" basis, as described in observation "C" of this report), there remains just over \$72 million in Administrative / Support costs that are un-allocated.
- (2) For FY 2008/2009, it appears that BSO collected nearly \$300,000 more in revenue for contract services than the actual expenses incurred for providing those services. It is unclear how this surplus revenue was spent.

The implication of these points together is the final observation of this report.

If, of the remaining \$72.3 million in unallocated overhead costs, exactly \$273,000 should be considered indirect support costs to the contract cities, then the revenue collected to provide the contract city law enforcement services would cover the costs exactly – this is the break-even scenario.

If less than \$273,000 of the remaining, un-allocated administrative/support costs of the BSO should be considered to be indirect support costs associated with the true cost of providing law enforcement services to the contract cities, then there would still remain some surplus (of up to \$273,000 for which it is unclear how these excess revenues are used to support other functions of the BSO).

And if more than \$273,000 of the remaining, un-allocated administrative/support costs of the BSO should be considered to be indirect support costs associated with the true cost of providing law enforcement services to the contract cities, then the revenue generated from the contract cities would in effect be supplemented by county property taxes to support the true cost for providing those services.

A recommended methodology to address these indirect costs is included in the next section of this report.

VI. Recommendations

A. Develop Standard Agreement with “Menu of Services” to Choose From

One key recommendation that has been raised and tested with the BCCMA steering committee is the development of a standard agreement for each contract for law enforcement services. The standard agreement should contain a “menu” of service options (BSO police services offered, with varying “levels of service” to choose from) within each contract as well as the cost of the services to be provided.

This recommendation is a departure from the current method used in most agreements of solely determining an FTE count and outlining a broad scope of services for which the FTEs are responsible. The current method makes it challenging to establish consistency among the services provided one contract to another. By defining services and service levels, BSO can offer a standard price for services offered and achieve equity in their offerings to customers. We recommend that service agreements include the menu of service options and the FTE count required to provide the selected service.

The benefits of this approach are three-fold:

- (1) Meeting the unique needs of each city. Each contract city could still choose from the menu offerings in order to procure BSO provided police services, and the levels of service that most appropriately meet their unique needs.
- (2) Transparency in costs. This approach allows the contracting city that is choosing from the police services the ability to clearly understand the true cost of the services they are choosing. There will be a high degree of transparency in the transaction.
- (3) Refining services. One of the benefits of moving to a program-based model is that by creating transparency around the services offered, and the costs of those services, both BSO and the contract cities are equipped to continuously review these services, compare them to what other service providers could offer, and ultimately generate better discussions with one another as to how to improve the services in the future.

The following two recommendations address specific strategies to implement the “menu” of services concept, while addressing the findings and observations of this report.

B. Develop Program Inventory and Program Costs to Supplement Menu of Services

The key logistical step to making the menu of services concept function effectively is the development of a program inventory (the services that BSO will offer, including levels of service offered) and the costs (both direct and indirect) for providing services.

Developing a Program Inventory

Programs should be defined in a way that allows BSO and the contract cities actual choices. A good example of a program might be patrol services offered on a 24-hour, 7-days a week basis. This is a good program because a contract city can choose to contract for this service specifically; they can choose to decrease the level of service; they can choose to increase the level of service; and they can choose to not contract for this service, and in each instance they have choice.

A key principle of this approach is the concept of a base-level of service, and discretionary levels of service beyond the base. As BSO considers what programs will be offered in the menu, each service should have a base level, below which the service may not be of value, and above which are scalable levels of service that are truly discretionary. This will not only be effective for the cities who are choosing from the services offered, but will allow BSO to effectively staff their operations around the specific level of services that are chosen by the contract cities.

BSO already has a good start on an inventory of programs such as what is included in the scope of services in an Oakland Park contract reviewed for this study. For example, programs are listed such as Uniform Patrol, Criminal Investigations Unit, Career Criminal Investigation, DUI Enforcement, and SWAT team response. These are programs that BSO can determine varying levels of service around, and develop cost to achieve those services. This is a recommended place to begin.

Programs also included in current BSO agreements such as the use of mounted patrol or public education programs may be examples of programs that are currently too broadly defined. The recommendation is for BSO to further explore more discrete ways to understand these services.

Developing Program Costs

Once the services have been defined, and the varying service levels are identified, program costs can be assigned by considering the direct and indirect costs associated with each service. The objective is to assign the true cost of providing a service with the actual service provided.

Determine Direct Costs on a Program Basis

Direct costs should include those expenditures related to personnel (salary & benefits), supplies, contracted services, training, utilities, liability insurance, as well as costs associated with the repair, maintenance and leasing of facilities, vehicles and equipment for which the BSO can assign an actual cost to the service being provided.

BSO can leverage much of their current cost information to most efficiently develop direct costs for each program. For personnel costs, BSO keeps detailed records for each individual FTE and how they support a particular contract. Further differentiating how each FTE's time is spent providing each of the services in the program inventory will create a starting place for the direct costs associated with each program. The cost of providing vehicles and equipment is another example where because of BSO's accurate accounting for vehicle assignments to FTE and to particular contracts, these costs can be directly associated with the services in the program inventory.

Determine Indirect Costs on a Program Basis

Indirect costs those expenditures incurred by the BSO for administrative services and oversight provided to the entire organization, including the contract cities, for which a fair and equitable portion could be associated with the service being provided.

As reported in the findings section of this report, there are two methods that BSO has considered for identifying support services whose costs could be associated with the direct services to contract cities. While each method attempts to provide a reasonable methodology to associating indirect costs with law enforcement services contracts, neither of the approaches appears to meet the needs of BSO or the contract cities to transparently understand what the support services are, how much support is dedicated to specific direct services, and how much these support services cost relative to the direct services provided. Furthermore, while either method could be applied (neither approach is

more appropriate than the other), doing so would sustain the same ambiguity about indirect services that exists today.

We recommend that program inventories, service levels for each program, and program costs be developed for the BSO administrative support functions as well, following the same methodology recommended for direct services. The approach would be consistent with best practices in the industry for creating Internal Service Funds (ISF's) about which much has been written and documented in organizations.

Ultimately, contract cities may be able to choose from a menu of services, each priced for direct services and "fully-loaded" to include specific indirect costs.

C. Address Specific Issues in Standard Agreements

The final recommendation of this report includes strategies to address three specific issues related to implementing the menu of services concepts.

Adjusting for Variances

The first consideration is resolving variances between the costs that are budgeted to provide a program at a level of service, and the actual costs of providing that service. As described in the findings section of this report, over the three years evaluated there were some contracts where BSO received more revenue than what they actually spent to meet the terms of a contract, and there were other contracts where BSO spent more than what they received to meet the terms. To achieve consistency in the implementation of the agreements, it is recommended that BSO use a consistent approach to ensure that it neither makes nor loses money in providing police services to contracting cities.

One common method for handling variances is an annual reconciliation process. This is probably the least procedural, as BSO determines variances in budgeted expenditures and actual expenditures on an annual basis anyway as they develop their annual CAFR. This approach would be similar to the approach BSO implements currently in terms of determining vacancy credits that are applied back to the specific contracts where vacancies occurred. In addition to addressing vacancies, BSO could address each variance on an annual basis (variances for all direct costs as well as indirect costs) and apply those to the following year's contract with each city. This would apply to both positive and negative variances as well.

Another common method for addressing variances more routinely and expeditiously would include the same approach as described above, though applied on a 6-month basis. This approach would place more of a burden on BSO administrative staff, as variances would need to be determined on a semi-annual basis and an annual basis for each contract. However, by doing so the variances would potentially be of a lesser order of magnitude for these more discrete time increments and therefore potentially easier to adjust to – both for BSO as well as for the contract cities.

Planning (and Charging for) Pension Benefits

Another issue raised by the BCCMA steering committee during this study was BSO's strategy for budgeting for, and charging for pension benefits associated with the FTE dedicated to each contract. The concern was one shared by most municipalities across the Country who are striving to accumulate a reserve in order to fulfill the commitment of paying for the pension benefits of staff as they retire. BSO determines a pension rate for BSO pension plan employees, based on actuary reports, and these amounts are included in the budgets paid by contract cities. This "pay-as-you-go" approach is what many organizations are advised to do as it is affordable and reasonable for their financial circumstances. The recommendation is that BSO continue to plan for future pension liability and examine current pension rates compared with what the rates might be if the full future liability was planned for, and continue to strategize with their Pension Plan Administrator as to how most effectively to charge for this benefit in the service agreements with contract cities.

Legal Considerations in Agreements

Lastly, the same legal considerations would need to be incorporated into the terms of all service agreements, much in the way that they are included in current agreements, though recommendations from a legal perspective are beyond the scope of this particular study.

VIII. Summary

BCCMA, Broward County, BSO and the individual cities that contract with BSO for police services all should be commended for their willingness to address the difficult questions and issues addressed in the study project. It is important to note that the findings and conclusions should not be interpreted as failures or criticisms on current practices used by either

BSO or the contracting cities. Rather they represent opportunities to make system or process improvements in an innovated yet highly complex method to provide value added police services to individual communities. ICMA does not suggest that the findings, conclusions or recommendations be used to adjust any over or under charges that occurred in the three fiscal years that we examined. For this period, the service agreements clearly state that BSO budget amounts will be the basis that contracting cities will pay BSO for police services.

ICMA does suggest that the findings, conclusions or recommendations be used as a basis for improving services agreements that are or will be renewed or for establishing a new service agreement for a new contracting city. BCCMA has taken an initial step in this direction with discussions to form a negotiating committee made up of representatives from contracting cities that have BSO service agreements that have or are near expiration. We stand ready to assist BCCMA in working with BSO to implement all or a selected number of the recommendations included in this report.

BROWARD SHERIFF'S OFFICE

FY 2009/2010 ALLOCATION BASE - Contract Cities DLE

20-Apr-09

Total PS Budget

| | | | |
|--------|--|--|-----------|
| 1-2050 | Legal | | 1,619,249 |
| 1-2115 | Administration | | 340,394 |
| 1-2116 | Equal Employment Opportunity | | 353,864 |
| 1-2118 | Recruitment | | 158,547 |
| 1-2219 | Purchasing Administration | | 489,100 |
| 1-2220 | Purchasing | | 635,793 |
| 1-2221 | Central Supply | | 1,103,783 |
| 1-2243 | Fleet Control | | 1,245,726 |
| 1-2310 | Finance | | 3,626,462 |
| 1-2345 | Evidence | | 808,389 |
| 1-2370 | Budget | | 348,377 |
| 1-2410 | Enterprise Technology Division | | 4,849,514 |
| 1-2420 | Records | | 2,770,242 |
| 1-2661 | Human Resources | | 883,680 |
| 1-2662 | Selection and Assessment | | 1,157,398 |
| 1-2512 | Benefits | | 673,867 |
| 1-2513 | Employee Assistance | | 242,555 |
| 1-2516 | Compensation & Assessment | | 543,578 |
| 1-2660 | Institute for Criminal Justice Studies | | 3,149,398 |

| | | |
|--|--------------------|------------|
| Total - Base for Allocation | | 24,999,916 |
| Total CC Headcount to Agency Headcount (26.3%) | 0.2639692 | 6,574,978 |
| 1507 Headcount | CC total personnel | 1,507 |
| / 5709 total agency | Cost per person | 4,363 |



Leaders at the Core of Better Communities

Broward City/County Management Association

Broward Sheriff's Office and Contacting Cities
Cost Accumulation Study

Final Core Assumptions

1. The Sheriff has legal duties that must be performed on a countywide basis, in both incorporated areas and unincorporated areas (if any).
2. The general powers of the Sheriff extend throughout the county, within incorporated areas, as well as unincorporated areas (if any).
3. There are public safety services which may be most effectively provided on a regional or countywide basis.
4. The degree of utilization and level of need for various public safety services is not necessarily uniform among municipalities within the county and is dependent upon many variables.
5. Some law enforcement services provided by the Sheriff to municipalities (on a contract basis) are well suited for cost recovery by the Sheriff based upon an agreed hourly rate for the service which reflects direct costs, e.g., salaries and benefits for the personnel used and equipment costs, and indirect costs, e.g., administrative costs, training costs, insurance, etc. The costs would vary based on level of usage.
6. Some law enforcement services provided by the Sheriff to municipalities are not well suited for cost recovery by the Sheriff based upon an agreed hourly rate for the service which reflects direct and indirect costs, as these costs are incurred providing services that must be provided and kept constantly available for use by all municipalities, e.g., jails, execution of process, and attending on the courts.

7. A municipality has the authority to provide all public safety services, not reserved exclusively for the sheriff or other enforcement agencies, within its boundaries.

8. A municipality can contract with the Sheriff for the provision of law enforcement services.

9. A municipality can provide law enforcement services independently, while contracting with an adjoining municipality for the provision of some specific types of law enforcement services.

10. There are police services that BSO will deliver on a county-wide basis, even if there is no unincorporated land in Broward County, all Broward County cities operated and funded their own police department, and BSO was not providing police services to any city on a contract basis. * indicates services required by state statute.

- Conservator of peace within the county*
- Arrest without warrant any person disturbing the peace*
- Serve enforceable writs (Warrants, etc.)*
- Juvenile and Child Safety*
- Enforce traffic laws throughout the county*
- Policing At Auto Race Meets*
- Receive and dispose of seized firearms*
- Community Relations
- Media Relations
- Crime Stoppers
- Aviation Unit
- Counter Terrorism
- Bomb Squad
- Crime Scene Crime Lab
- Fugitive Unit
- Organized Crime Unit
- Gang Unit
- Narcotics
- Anti-Crime Squad
- Marine Unit

11. There are regional police services that BSO will provide, and multiple methods are used to recover the costs of regional services. BSO participates in multi-county task forces to provide regional services. State and federal grants, County property taxes, and resources provided by Broward County cities (either contract or non-contract) are used to pay for BSO costs for regional services. Examples of regional services include:

- Counter Terrorism
- Regional Narcotics
- Gang Unit
- Regional Anti-Crime Squad

12. There are method(s) used by BSO to determine the cost of police services after a contract city has set what police services it wants and the level of service for these services. (This method(s) will need to be determined.)

13. There are provisions in BSO's labor agreements with its sworn deputies that affect the costs of police services provided to contract cities. (These provisions will need to be determined.)

14. There are methods used by BSO to segregate the direct, indirect, and overhead costs that are associated with providing police services to contract cities. (These methods will need to be determined.)

15. There are methods used by BSO to reconcile the cost structure of the current agreements with contract cities with the actual costs to provide police services to contract cities. (These methods will need to be determined.)